

CORPORATE INCOME TAX

Multistate Tax Commission www.mtc.gov

Legal and Auditing Principles of Apportioning Corporate Income

Objective: This course is designed to accomplish two complementary goals

- to educate state revenue representatives concerning the basic laws relating to the apportionment of corporate income taxes; and
- to train state auditors in auditing of multistate businesses for corporate income and other operational taxes.

The content of this course is adapted to the requirements of the host state. Thus, the coverage of particular topics, particularly combined reporting, will vary from one class to another.

Organization of

the Course: **Part One** (2 days) is for any state revenue employee. This can be taken on a stand-alone basis.
Part Two (3 days) is for state auditors or those who support state audit work.
Part Two students must also take Part One of the course.

Overview of Part One: Any state revenue employee (lawyer, auditor, policy analyst or other) may attend Part One to learn the basic concepts regarding corporate income tax apportionment. This part of the course will provide all participants with an understanding of the constitutional principles and limitations of corporate income taxes. This starts with an introduction to the various concepts underlying nexus determinations, such as the due process and commerce clauses and P.L. 86-272 as they apply to corporate income taxation. The remainder of the time will be devoted to principles and concepts used in the application of state corporate income taxation. Particular emphasis will be directed to the unitary business principle, the distinctions between business and non-business income, combined reporting, and various other issues associated with income attribution and apportionment.

Overview of Part Two: This part of the course will serve as an introduction or refresher (depending on the knowledge and experience of the student) on how to conduct a corporate income tax audit of a multistate business enterprise. It includes the following topics: pre-audit procedures, conducting unitary investigations and computing unitary income, analyzing business/non-business income issues, computing state modifications, computing the unitary apportionment factor, computing net operating losses, and analyzing nexus issues. Problem sets are utilized and audit techniques are discussed throughout this section of the course. It ends with a comprehensive problem and a discussion of current audit issues.

Prerequisites: Some exposure to state income tax concepts.

Student Requirements: Part Two students are required to bring a laptop computer with a CD drive. Many of the problems sets are conducted using Excel spreadsheet software.

Program Level: Intermediate

Course Materials: All participants will receive a comprehensive outline regarding state income tax concepts. Part Two students will receive training materials addressing a variety of auditing exercises.

Advance Preparation: None

Instructional Delivery Methods: Group Instruction

Recommended CPE Credits: 36 hours

Registration Information: Contact Antonio Soto at asoto@mtc.gov or 202-508-3846